

Message Text

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TO AMEMBASSY PARIS IMMEDIATE

C O N F I D E N T I A L STATE 135288

FOR: THE HONORABLE ARTHUR F. BURNS, CHAIRMAN
FEDERAL RESERVE BOARD

THE HOUSE TODAY SUSTAINED PRESIDENT FORD'S VETO OF THE STRIP
MINING LEGILATION BY A 4-VOTE MARGIN.

PRESS SECRETARY NESSEN SAID TODAY THAT PRESIDENT FORD INTENDS
TO RETAIN THE PRESENT DOL2 A BARREL OIL IMPORT TARIFF REGARDLESS
OF ANY POSSIBLE PRICE INCREASES BY OPEC
NATIONS.

IN DOMESTIC SECURITIES MARKETS, PRICES OF BONDS CONTINUED TO
MOVE HIGHER TODAY. THE STRENGTH IN THE MUNICIPAL SECTOR
REFLECTED REACTIONS TO DEVELOPMENTS BEARING ON THE FINANCES OF
NEW YORK CITY. BILL RATES ALSO EDGED LOWER, WITH THE 3-MONTH
ISSUE CLOSING AT 5.08PERCENT. DEALER BILL HOLDINGS ARE ON THE
HIGH SIDE, BUT WITH LARGE SEASONAL BILL MATURITIES OCCURRING THIS
MONTH, DEALERS ARE WILLING HOLDERS. STOCK PRICES WEAKENED
APPRECIABLY EARLY IN THE DAY AMID CONCERNS OF ANOTHER JUMP IN
OIL PRICES THIS FALL. THE DOW JONES INDUSTRIALS, WHICH CLOSED
WELL ABOVE THEIR LOWS, WERE OFF ABOUT 8 POINTS TO A LEVEL OF 822.
FEDERAL FUNDS TRADED MOSTLY AT 5-1/16 PERCENT DESPITE SYSTEM
TRANSACTIONS TO ABSORB RESERVES THAT TOTALED OVER DOL1-1/4
BILLION. RETAIL SALES IN MAY, ACCORDING TO THE ADVANCE REPORT,
WERE UP 2.2 PERCENT FROM APR. SALES OF ALL MAJOR TYPES OF GOODS,
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EXCEPT FURNITURE AND APPLIANCES WHICH WERE VIRTUALLY UNCHANGED,

REGISTERED GAINS. INCREASES OF MORE THAN 3PERCENT OCCURRED
FOR THE AUTOMOTIVE AND GENERAL MERCHANDISE GROUPINGS OF STORES.
EXCLUDING AUTOS AND THE BUILDING MATERIALS-FARM EQUIPMENT
CATEGORIES, SALES WERE 1.8PERCENT ABOVE APRIL.

COMPARED WITH THE FIRST QUARTER AVERAGE MAY SALES WERE UP 2.8
PERCENT; TOTAL SALES LESS THOSE OF THE AUTO AND THE NONCONSUMER
GROUPINGS OF STORES WERE UP 2.7 PERCENT, BUT SALES FOR THE GAF
GROUPING WERE 5.2PERCENT ABOVE THE FIRST QUARTER AVERAGE. END
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